

***Prepared for:***

# ***The Defined Contribution and Retirement Study Committee - II***

***Informational Presentation on the  
Arizona State Retirement System  
"Liability Reductions"***

**Arizona State Retirement System  
\*Estimates Utilized**

**November 27, 2012**



# ASRS Liability Reductions: Implemented (Pension Plan)

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## 1. Cost basis for service purchase

- Cost Savings: \$971.9 million to \$1,748.6 million
- Proposed: 2003      Adopted: 2004

## 2. Decrease interest credited on withdrawn contributions

- Cost Savings: \$437.4 million to \$786.9 million
- Proposed 2004      Adopted: 2004



# ASRS Liability Reductions: Implemented (Pension Plan)

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## 3. Reimbursements for early retirement incentives

- Cost Savings: \$291.5million to \$524.5 million
- Proposed: 2003      Adopted: 2004

## 4. Interest rate changed on payroll deduction agreements

- Cost Savings: \$259.4 million to \$466.5 million
- Proposed: 2004      Adopted: 2004



# ASRS Liability Reductions: Implemented (Pension Plan)

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## 5. Pop-up restrictions

- Cost Savings: \$574.5 million to \$1,129.2 million
- Proposed: 2005      Adopted: 2006

## 6. Rescind modified Deferred Retirement Option Plan (mDROP)

- Cost Savings: \$682.7 million to \$1,329.3 million
- Proposed: 2005      Adopted: 2006



# ASRS Liability Reductions: Implemented (Pension Plan)

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## 7. Recapture of unclaimed monies

- Cost Savings: \$8.0 million to \$16.3million
- Proposed: 2007      Adopted: 2008

## 8. Dual employment

- Cost Savings: \$33.2 million to \$81.2 million
- Proposed: 2009      Adopted: 2009



# ASRS Liability Reductions: Implemented (Pension Plan)

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## 9. Elimination of enhanced refunds

- Cost Savings: \$0 to \$316.7 million
- Proposed: 2005      Adopted: 2010

## 10. Replacing Rule of 80 With Rule of 85\*

- Cost Savings: \$0 to \$593.7 million
- Proposed: 2006      Adopted: 2010

\* Note: The rule of 85 was subsequently replaced by age 55 & 30 years of service or age 60 & 25 years of service. This change resulted in additional savings of approximately \$13 million.



# ASRS Liability Reductions: Implemented (Pension Plan)

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## 11. Replacing 36-month average salary with 60-month average salary

- Cost Savings: \$0 to \$494.8 million
- Proposed: 2006      Adopted: 2010

## 12. Alternative Contribution Rate (ACR)

- Cost Savings: \$0 to \$454.4 million
- Proposed: 2011      Adopted: 2011



# ASRS Liability Reductions: Implemented (Pension Plan)

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Total Cost Savings:

\$3.26 billion (Closed Group) to

\$7.94 billion (Open Group)

Closed Group: The pension plan is closed to new entrants but existing members continue to accrue benefits.

Open Group: The pension plan is open to new entrants and as members retire they are replaced by new members.





# ASRS Liability Reductions: Pending (Pension Plan)

## Requiring Policy/Rule Change

1. Decreasing interest credited on withdrawn contributions
  - Cost Savings: Up to \$470 million
2. Elimination of Partial Lump Sum (PLS) for service purchase
  - Cost Savings: Up to \$88.8 million



# ASRS Liability Reductions: Pending (Pension Plan)

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## 3. Reduction of Actuarial Assumed Rate for service purchase

- Cost Savings: Up to \$109.4 million



# ASRS Liability Reductions: Pending (Pension Plan)

## Requiring Legislative Change

1. Eliminate Permanent Benefit Increase (PBI) for new employees only (PBI would be ad hoc only)
  - Cost Savings: Up to \$263 million
2. Align non-retired survivor benefits with retiree benefits
  - Cost Savings: Up to \$43.7 million



# ASRS Unfunded Liability Reductions: Pending (Pension Plan)

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## Requiring Legislative Change

### 1. Modified Amortization Period



# **ASRS Liability Reductions: Implemented (Health Benefit Supplement Plan)**

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1. Ending payments to retirees on an active employer plan
  - Cost Savings: \$2 million



# **ASRS Liability Reductions: Implemented (Long-Term Disability Plan)**

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1. Miscellaneous changes the Long-Term Disability (LTD) program
  - Cost Savings: \$19.4 million to \$39.3 million
2. Social Security offsets and pre-existing condition period
  - Cost Savings: \$84.8 million to \$295.5 million



# ASRS Liability Reductions: Pending (LTD Plan)

## Requiring Legislative Change

1. 60-Month Salary Average
  - Cost Savings: Up to \$134.5 million
2. Income replacement reduction
  - Cost Savings: Up to \$106.9 million